

Service Date: Dec. 7, 1984

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF THE APPLICATION OF)
PACIFIC POWER & LIGHT COMPANY FOR)
AN ORDER (1) AUTHORIZING IT TO)
GUARANTEE NOT MORE THAN \$75,000,000)
OF DEBENTURES TO BE ISSUED AND SOLD)
BY A FOREIGN SUBSIDIARY, (2) AUTHOR-) UTILITY DIVISION
IZING IT TO ISSUE ITS NOTES TO ITS) DOCKET NO. 84.4.14
FOREIGN SUBSIDIARY AND TO BORROW THE) DEFAULT ORDER NO. 5054a
PROCEEDS OF THE DEBENTURES FROM THE)
SUBSIDIARY, AND (3) AUTHORIZING IT)
TO ISSUE ITS NOTES AND TO BORROW NOT)
MORE THAN \$30,000,000 TO CAPITALIZE)
THE FOREIGN SUBSIDIARY.)

On April 20, 1984, PacifiCorp dba Pacific Power & Light Company (Pacific) , a corporation organized and existing under and by virtue of the laws of the State of Maine and qualified to transact business in Montana, filed with the Montana Public Service Commission its verified application, pursuant to Sections 69-3-501 through 59-3-507, MCA, requesting authority to engage in transactions the ultimate result of which would be that Pacific would obtain not more than \$75,000,000 in aggregate principal amount from either the issuance of its promissory notes and the guarantee of debentures (Debentures) of a foreign financing subsidiary (indirect method) or the issuance of its Debentures (direct method) . Whether indirect or direct, the Debentures would be sold to a group of managing underwriters who would market the securities primarily overseas.

On May 7, 1984, the Commission granted Pacific's application by Default Order No. 5054.

On November 20 and 28, 1984, Pacific filed supplements to its application seeking broadened authority in this docket.

At a regular open session of the Montana Public Service Commission, held in its offices at 2701 Prospect Avenue, Helena, Montana, on December 6, 1984, there came before the Commission for final action the supplemental matters and things in Docket No. 84.4.14, and the Commission, having fully considered the application, as supplemented, and all data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following additional:

FINDINGS

1. In its supplements to its application, Pacific requests a supplemental order authorizing Pacific to issue, through a public offering or private placement, domestically or overseas, long-term debt with the following characteristics:

- a. Secured or unsecured.
- b. Maturity of approximately seven years.
- c. Fixed interest rate.

2. Pacific also requests authority to enter into such agreements or arrangements as may be necessary or appropriate to provide additional credit support for the payment of the principal of, interest on, and premium (if any) on the debt.

3. Pacific also requests authority to apply the proceeds from the proposed financing to reimburse its treasury for funds expended from income and other treasury finds that were not derived from the issuance of securities.

4. Since the initial order issued in the matter, several events have occurred which make changes in the initially granted authority desirable.

5. The timing of the financing is currently dependent upon Pacific's ability to issue debt securities at a cost sufficiently low to allow the economic acquisition of Pacific's First Mortgage Bonds, 18% Series due 1991.

6. From the time the original approval was granted by the Commission to September, 1984, foreign and domestic interest rates remained too high to allow an economic replacement of the 18% Series. Since September, 1984, interest rates domestically have fallen more rapidly than interest rates overseas. Moreover, the traditional relationship between foreign and domestic rates has not reestablished itself.*

7. Pacific will issue securities overseas if it can demonstrate that the effective cost is less than a domestic issuance of similar maturity and terms. In this regard, the use of a Netherlands Antilles financing subsidiary is no longer necessary because of recent changes in the Federal tax laws. Accordingly, if Pacific finances overseas, it would issue the Debentures itself.

8. Existing authority granted by the Commission allows the proceeds to be used to retire or replace other debt of Pacific and to fund its construction program. Expansion of the use of proceeds authority should allow Pacific to complete the

* Foreign interest rates for similar securities and maturities have typically been slightly lower than domestic rates.

refinancing with the minimum amount of new debt and afford additional timing flexibility with respect to its issuance.

9. Pacific interests would be served best by limiting the new debt to the minimum amount necessary to fund the cost of retiring the 18% Series, including principal, premium, tender expenses, underwriting spread, and issuance costs. In this way, annual debt service costs will be reduced while increasing the long-term debt portion of the capital structure the least amount possible.

10. Because the size of the new debt issuance is, to an extent, dependent upon the amount of debt securities retired and the amount of premium necessary to retire those debt securities, it appears reasonable to invite tenders for the purchase of the 18% bonds first and issue the new debt securities thereafter. For these reasons, Pacific requests the additional authority to reimburse its treasury for funds expended from income and from other treasury funds that were not derived from the issuance of securities. The funds to be reimbursed will have been used in furtherance of one or more lawful utility purposes authorized by statute. To the extent that the funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their antecedents were originally incurred in furtherance of a utility purpose. Pacific has a sufficient unreimbursed treasury balance to allow the issuance of the new debt according to its application, as supplemented.

CONCLUSIONS

The proposed transactions, as modified, will be for lawful objects within the corporate purposes of Pacific and will be compatible with the public interest; the objects are necessary, appropriate, and consistent with the proper performance by Pacific of its

service as a public utility and will not impair its ability to perform that service. The requests by Pacific are reasonable and should be granted.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. Default Order No. 5054 in this matter is supplemented as follows:
 - a. PacifiCorp d/b/a Pacific Power & Light Company is authorized to issue, through a public offering or private placement domestically or overseas, not more than \$75,000,000 in aggregate principal amount of long-term debt with terms as shown below:
 - (i) Secured or unsecured.
 - (ii) Maturity of approximately seven years.
 - (iii) Fixed interest rate.
 - b. PacifiCorp d/b/a Pacific Power & Light Company is authorized to enter into such agreements or arrangements as may be necessary or appropriate to provide additional credit support for the payment of the principal of, interest on, and premium (if any) on the debt.
 - c. PacifiCorp d/b/a Pacific Power & Light Company is authorized to apply the proceeds of the foregoing issuance to the following purposes:
 - (i) The discharge or refunding of its long- or short-term debt.

- (ii) The acquisition of property or the construction, completion, extension, or improvement of facilities.
- (iii) The reimbursement of its treasury for funds expended from income and from other treasury funds that were not derived from the issuance of securities.

2. Except as specifically modified herein, Default Order No. 5054 shall remain operative.

3. This Order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana, this 6th day of December, 1984,
by a 5 to 0 vote.

THOMAS J. SCHNEIDER, Chairman

JOHN B. DRISCOLL, Commissioner

HOWARD L. ELLIS, Commissioner

CLYDE JARVIS, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Madeline L. Cottrill
Secretary

(SEAL)

NOTICE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.